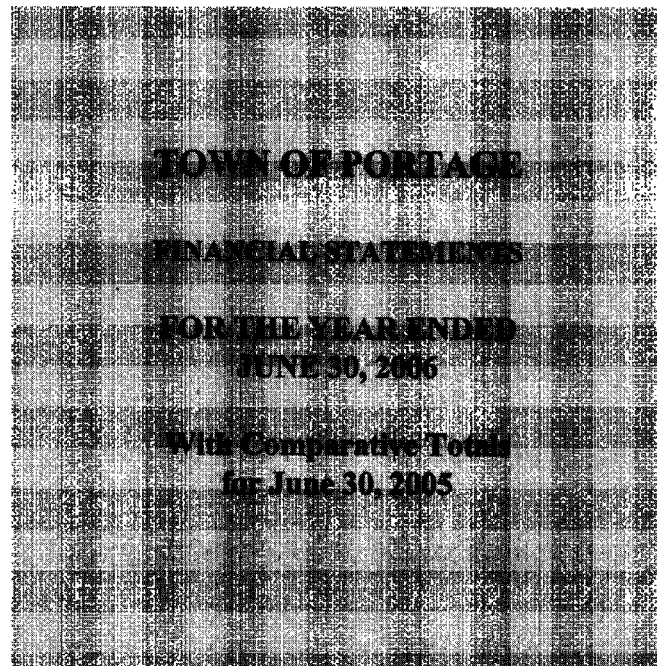




Peterson  
Allred  
Jackson



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## **INTRODUCTORY SECTION**

# Town of Portage

**Mayor**

Larry Howell

**Council Members:**

Jay Briscoe --- Plan/Zoning

Georgia Henry --- Streets

Martina John --- Water/Fire Dept

Bud Knudsen --- Parks

25880 N. 9000 W.

P.O. Box 4

Portage, Utah, 84331

Phone/Fax: 435-866-2108

**Town Recorder:** Grant Smith

**Town Treasurer:** Deborah Lucas



November 22, 2006

**Portage Town Council**

Portage, Utah

**Council:**

It is with great pleasure that the financial statements for the Town of Portage for the year ended June 30, 2006, is presented.

In addition to the fund financial information currently presented in the Town's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and compiled in accordance with statements on standards for accounting and review services issued by the American Institute of Certified Public Accountants by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2006, in accordance with these requirements.

This report consists of management's representations concerning the finances of the Town of Portage. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

I wish to express my appreciation to all members of the Town who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Howell  
Town of Portage

**FINANCIAL SECTION**

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Peterson  
Alfred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Town Council  
Town of Portage  
Portage, Utah

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Portage, Utah (the Town), as of and for the year ended June 30, 2006, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of officials of the Town of Portage. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or any other form of assurance on them.

The Management's Discussion and Analysis on pages 9 - 13, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit or review the information and express no opinion on it.

*Peterson Alfred Jackson*

November 22, 2006



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Portage, we offer readers of the Town of Portage's financial statements this narrative overview and analysis of the financial activities of the Town of Portage for the fiscal year ended June 30, 2006.

### FINANCIAL HIGHLIGHTS

- The total net assets of \$544,937 is made up of \$470,316 in capital assets net of related debt and \$74,621 in other net assets.
- In the Enterprise Fund, revenues exceeded expenditures by \$6,014.
- In the General Fund, expenditures exceeded revenues by \$4,854.

### REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Portage's basic financial statements. The Town of Portage's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

**The government-wide financial statements** are designed to provide readers with a broad overview of the Town of Portage's finances, in a manner similar to a private-sector business.

- The statement of net assets presents information on all of the Town of Portage's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Portage is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Portage that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 15 & 16 of this report.

## REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Portage also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- Proprietary funds - The Town of Portage maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Portage uses enterprise funds to account for its Water Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Portage, assets exceed liabilities by \$544,937.

By far the largest portion of the Town of Portage's net assets (86%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

# STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Current and other assets	\$ 43,359	\$ 48,619	\$ 46,564	\$ 29,204
Capital assets	314,359	348,422	155,957	166,409
Total assets	\$ 357,718	397,041	202,521	195,613
Other liabilities	14,316	14,722	986	92
Total liabilities	14,316	14,722	986	92
Net assets:				
Invested in capital assets	314,359	348,422	155,957	166,409
Restricted	28,854	30,789	-	-
Unrestricted	189	3,108	45,578	29,112
Total net assets	\$ 343,402	\$ 382,319	\$ 201,535	\$ 195,521

## CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
Revenues:				
Program revenues:				
Charges for services	\$ 17,271	\$ 9,889	\$ 28,146	\$ 27,845
Capital grants & contributions	24,134	20,640	-	-
Operating grants & contribution	1,793	43,980	-	6,096
General revenues:				
Property taxes	12,182	11,174	-	-
Other taxes	25,056	20,369	-	-
Investment income	1,951	1,168	-	63
Total revenues	82,387	107,220	28,146	34,004
Expenses:				
General government	30,627	18,236	-	-
Public safety	17,090	39,203	-	-
Highways/public improvements	60,981	49,548	-	-
Parks & recreation	12,606	12,525	-	-
Water	-	-	22,132	25,635
Total expenses	121,304	119,512	22,132	25,635
Increase (decrease) in net assets	(38,917)	(12,292)	6,014	8,369
Net assets, beginning of year	382,319	394,611	195,521	187,152
Net assets, end of year	\$ 343,402	\$ 382,319	\$ 201,535	\$ 195,521

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

As of June 30, 2006, the Town's governmental fund (General) reported a fund balance of \$29,043. This represents a decrease of \$4,854 (14%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 45% of total general fund revenues. The largest element of taxes is sales taxes. It represents 67% of total tax revenues and represents 30% of total general fund revenues. This compares with 19% in the prior fiscal year ended June 30, 2005.

As stated earlier, the Town maintains one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include an increase in equipment of \$11,437.

Significant changes in business-type activities includes an increase in cash of \$27,961.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$62,965 to a final budget of \$96,300. Changes resulted in increases in streets and fire department expenses.

### **CAPITAL ASSET ADMINISTRATION**

Capital assets- The Town of Portage's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$470,316 (net of accumulated depreciation) infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total decrease in the Town's investment in fixed assets for the current year was 8.6% (due to depreciation exceeding new purchases).

# TOWN OF PORTAGE'S CAPITAL ASSETS

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 19,938	\$ 25,314
Buildings and improvements	84,762	—
System improvements	--	418,073
Infrastructure	673,057	—
Machinery & equipment	72,141	—
Less: Accumulated depreciation	<u>(535,539)</u>	<u>(287,430)</u>
Total	<u>\$ 314,359</u>	<u>\$ 155,957</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

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**TOWN OF PORTAGE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

ASSETS	Governmental Activities	Business-type Activities	2006 Total	2005 Total
Cash	\$ -	\$ 44,108	\$ 44,108	\$ 31,454
Account receivable	-	2,456	2,456	1,243
Taxes receivable	14,505	-	14,505	14,337
Restricted cash	23,758	-	23,758	26,457
Restricted accounts receivable	5,096	-	5,096	4,332
Capital assets				
Land and water rights	19,938	25,314	45,252	45,252
Buildings and improvements	84,762	-	84,762	84,762
System improvements	-	418,073	418,073	418,073
Infrastructure	673,057	-	673,057	673,057
Machinery & equipment	72,141	-	72,141	60,704
Less: Accumulated Depreciation	(535,539)	(287,430)	(822,969)	(767,017)
Total assets	<u>\$ 357,718</u>	<u>\$ 202,521</u>	<u>\$ 560,239</u>	<u>\$ 592,654</u>
LIABILITIES				
Cash	829		829	-
Accounts payable	487	986	1,473	1,814
Deferred revenue	13,000	-	13,000	13,000
Total liabilities	<u>14,316</u>	<u>986</u>	<u>15,302</u>	<u>14,814</u>
NET ASSETS				
Invested in capital assets	314,359	155,957	470,316	514,831
Restricted for:				
Roads and town improvements	28,854	-	28,854	30,789
Unrestricted	189	45,578	45,767	32,220
Total Net Assets	<u>\$ 343,402</u>	<u>\$ 201,535</u>	<u>\$ 544,937</u>	<u>\$ 577,840</u>

See accompanying notes and accountant's report.

**TOWN OF PORTAGE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

	Program Revenues					Business-type Activities	2006 Total	2005 Total
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net Governmental Activities			
Governmental activities:								
General government	\$ 30,627	\$ 3,072	\$ -	\$ -	\$ (27,555)	\$ -	\$ (27,555)	\$ (15,147)
Public Safety	17,090	10,840	1,793	-	(4,457)	-	(4,457)	10,704
Highways & public improvements	60,981	-	-	24,134	(36,847)	-	(36,847)	(28,908)
Parks, recreation & public property	12,606	3,359	-	-	(9,247)	-	(9,247)	(11,652)
Total governmental activities	121,304	17,271	1,793	24,134	(78,106)	-	(78,106)	(45,003)
Business-type activities:								
Water	22,132	28,146	-	-	-	6,014	6,014	8,306
Total business-type activities	22,132	28,146	-	-	-	6,014	6,014	8,306

General Revenues:  
Taxes:

Property taxes levied for general purposes	12,182	-	12,182	11,174
General sales taxes	25,056	-	25,056	20,369
Investment income	1,951	-	1,951	1,231
Total general revenues	39,189	-	39,189	32,774
Change in net assets	(38,917)	6,014	(32,903)	(3,923)
Net assets - beginning	382,319	195,521	577,840	581,763
Net assets - ending	\$ 343,402	\$ 201,535	\$ 544,937	\$ 577,840

See accompanying notes and accountant's report.



**TOWN OF PORTAGE  
GOVERNMENTAL FUNDS TYPE  
BALANCE SHEET  
JUNE 30, 2006  
With Comparative Totals for June 30, 2005**

	<u>Total Governmental Funds</u>	
	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash	\$ -	\$ 3,493
Taxes receivable	14,505	14,337
Restricted assets:		
Cash	23,758	26,457
Accounts receivable	5,096	4,332
Total assets	<u>\$ 43,359</u>	<u>\$ 48,619</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Cash	\$ 829	\$ -
Accounts payable	487	1,722
Deferred revenue	13,000	13,000
Total liabilities	<u>14,316</u>	<u>14,722</u>
Fund Balance:		
Reserved for roads	28,854	30,789
Unreserved - undesignated	189	3,108
Total fund balance	<u>29,043</u>	<u>33,897</u>
Total liabilities and fund balance	<u>\$ 43,359</u>	<u>\$ 48,619</u>
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 314,359	\$ 348,422
Fund balance, governmental funds	29,043	33,897
Net assets reconciled to the Statement of Activities	<u>\$ 343,402</u>	<u>\$ 382,319</u>

See accompanying notes and accountant's report.

**TOWN OF PORTAGE  
GOVERNMENTAL FUNDS TYPE  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2006  
With Comparative Totals for June 30, 2005**

	Total Governmental Funds	
	2006	2005
Revenues:		
Taxes & special assessments	\$ 37,238	\$ 31,543
Licenses and permits	-	182
Intergovernmental	25,927	64,620
Investment income	1,951	1,168
Miscellaneous	17,271	9,707
Total revenues	82,387	107,220
Expenditures:		
Current:		
General government	28,144	29,756
Public safety	15,601	48,910
Highways & public improvements	27,328	15,895
Parks, recreation & public property	16,168	11,463
Total expenditures	87,241	106,024
Excess of revenues over expenditures	(4,854)	1,196
Fund balances, beginning of year	33,897	32,701
Fund balances, end of year	\$ 29,043	\$ 33,897

See accompanying notes and accountant's report.

**TOWN OF PORTAGE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006**

Net change in fund balances - total governmental funds \$ (4,854)

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(34,063)

Change in net assets of governmental activities

\$ (38,917)

**TOWN OF PORTAGE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 12,000	\$ 12,000	\$ 12,182	\$ 182
General sales & use taxes	18,000	23,500	25,056	1,556
Total taxes	30,000	35,500	37,238	1,738
Licenses & permits:				
Non-business licenses & permits	400	400	-	(400)
Total licenses & permits	400	400	-	(400)
Intergovernmental revenues:				
Class "C" roads	24,000	24,000	24,134	134
State liquor allotment	80	120	101	(19)
Grants	12,500	16,500	1,692	(14,808)
Total intergovernmental revenues	36,580	40,620	25,927	(14,693)
Miscellaneous:				
Interest	1,300	2,100	1,951	(149)
Other	6,900	22,300	17,271	(5,029)
Total Miscellaneous	8,200	24,400	19,222	(5,178)
Total Revenues	\$ 75,180	\$ 100,920	\$ 82,387	\$ (18,533)

See accompanying notes and accountant's report

**TOWN OF PORTAGE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
(CONTINUED)  
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
<b>EXPENDITURES</b>				
General government:				
Administration & Town hall	\$ 25,590	\$ 30,750	\$ 28,144	\$ 2,606
Total general government	25,590	30,750	28,144	2,606
Public Safety:				
Fire department	8,000	31,070	15,601	15,469
Total Public Safety	8,000	31,070	15,601	15,469
Highways & public improvements:				
Streets	12,875	27,800	27,328	472
Total highways & improvements	12,875	27,800	27,328	472
Parks, Recreation & Public Property:				
Parks and open spaces	16,500	18,700	16,168	2,532
Total parks, recreation & public property	16,500	18,700	16,168	2,532
<b>TOTAL EXPENDITURES</b>	<b>62,965</b>	<b>108,320</b>	<b>87,241</b>	<b>21,079</b>
Net change in fund balance	12,215	(7,400)	(4,854)	2,546
Fund Balance at beginning of year	33,897	33,897	33,897	-
Fund Balance at end of year	\$ 46,112	\$ 26,497	\$ 29,043	\$ 2,546

See accompanying notes and accountant's report.

**TOWN OF PORTAGE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006  
With Comparative Totals for June 30, 2005**

	<u>WATER UTILITIES</u>	
	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 44,108	\$ 27,961
Accounts receivable	2,456	1,243
Total current assets	<u>46,564</u>	<u>29,204</u>
Capital assets		
Land and water rights	25,314	25,314
System improvements	418,073	418,073
Less Accumulated depreciation	<u>(287,430)</u>	<u>(276,978)</u>
Total capital assets	<u>155,957</u>	<u>166,409</u>
TOTAL ASSETS	<u>202,521</u>	<u>195,613</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	<u>986</u>	<u>92</u>
Total current liabilities	<u>986</u>	<u>92</u>
<b>NET ASSETS</b>		
Invested in capital assets	155,957	166,409
Unrestricted	<u>45,578</u>	<u>29,112</u>
Total net assets	<u>\$ 201,535</u>	<u>\$ 195,521</u>

See accompanying notes and accountant's report.

**TOWN OF PORTAGE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS  
PROPRIETARY FUNDS**

**JUNE 30, 2006  
With Comparative Totals for June 30, 2005**

	<u>WATER UTILITIES</u>	
	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Charges for services	\$ 28,146	\$ 27,845
Grants	-	6,096
Total operating revenues	<u>28,146</u>	<u>33,941</u>
OPERATING EXPENSES		
Salary and wages	3,494	4,238
Other operating expenses	1,503	4,498
Supplies	6,683	6,447
Depreciation	<u>10,452</u>	<u>10,452</u>
Total operating expenses	<u>22,132</u>	<u>25,635</u>
Operating income	<u>6,014</u>	<u>8,306</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	-	63
Total non-operating revenue (expense)	<u>-</u>	<u>63</u>
Change in net assets	6,014	8,369
Total net assets - beginning	<u>195,521</u>	<u>187,152</u>
Total net assets -ending	<u>\$ 201,535</u>	<u>\$ 195,521</u>

See accompanying notes and accountant's report.

**TOWN OF PORTAGE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006  
With Comparative Totals for June 30, 2005**

	<u>WATER UTILITIES</u>	
	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 26,933	\$ 28,077
Payments to suppliers	(7,292)	(7,302)
Payments to employees	(3,494)	(4,238)
Net cash provided (used) by operating activities	<u>16,147</u>	<u>16,537</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	-	63
Purchase of water shares	-	(22,520)
Net cash provided (used) by investing activities	<u>-</u>	<u>(22,457)</u>
Net increase (decrease) in cash and cash equivalents	16,147	(5,920)
Cash and equivalents at beginning of year	<u>27,961</u>	<u>33,881</u>
Cash and equivalents at end of year	<u>\$ 44,108</u>	<u>\$ 27,961</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 6,014	\$ 8,306
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	10,452	10,452
Changes in assets & liabilities:		
Decrease (increase) in receivables	(1,213)	232
Increase (decrease) in accruals	894	(2,453)
Total adjustments	<u>10,133</u>	<u>8,231</u>
Net cash provided (used) by operating activities:	<u>\$ 16,147</u>	<u>\$ 16,537</u>

See accompanying notes and accountant's report.



**TOWN OF PORTAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 1: Summary of significant accounting policies**

**Reporting entity**

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation.**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales taxes and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water and sewer system improvements	30-35 years
Buildings	20 years
Machinery and equipment	3-5 years
Roads and infrastructure	20 years
Improvements other than buildings	20 years

### Property Tax

Box Elder County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

### Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through a public hearing.

### Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

## Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

## Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 849,898
Accumulated depreciation	<u>(535,539)</u>
Total difference	<u>\$ 314,359</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 11,437
Depreciation expense	<u>(45,500)</u>
Net difference as reported	<u>\$(34,063)</u>

## **Note 2: Legal Compliance - Budgets/Statutory**

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

## **Note 3: Cash**

### **Deposits and investments**

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

### **Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, none of the local government's bank balances of \$71,648 were uninsured and uncollateralized.

### **Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Note 4: Accounts/taxes receivable**

Accounts receivable as of June 30, 2006, are due as follows:

General fund:	
Property taxes	\$ 14,505
Water fund:	
Water service	<u>2,456</u>
Total accounts/taxes receivable	<u>\$ 16,961</u>

**Note 5: Restricted assets**

The total restricted assets on the balance sheet are comprised of the following cash and receivables:

General fund:	
Cash	\$ 23,758
Accounts receivable - Class C	<u>5,096</u>
Total general fund	<u>\$ 28,854</u>

**Note 6: General fixed assets**

General fixed asset changes occurring for the year ended June 30, 2006, are as follows:

	Balance July 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2006</u>
Land	\$ 19,938	\$	\$	\$ 19,938
Buildings	84,762			84,762
Infrastructure	673,057			673,057
Furniture, fixtures and equipment	<u>60,704</u>	<u>11,437</u>	<u>—</u>	<u>72,141</u>
SUBTOTAL	838,461	11,437		849,898
Accumulated depreciation	<u>(490,039)</u>	<u>(45,500)</u>	<u>—</u>	<u>(535,539)</u>
NET CAPITAL ASSETS	<u>\$348,422</u>	<u>\$ (34,063)</u>	<u>\$ —</u>	<u>\$ 314,359</u>

Depreciation for the general fund is allocated in the following manner:

General government	\$ 2,483
Public safety	8,246
Streets & highways	33,653
Parks & recreation	<u>1,118</u>
Total general depreciation	<u>\$ 45,500</u>

**Note 7: Accounts Payable**

Accounts payable consist of amounts incurred and due at June 30, 2006, but which had not been paid.

**Note 8: Utility users**

Portage Town's utility services are utilized by residential users only and as of June 30, 2006, the number of users and rates are as follows:

	<u>Water</u>	
Residential	97	
Commercial	<u>3</u>	
Total	<u>100</u>	
Water rates:		
Standard monthly services		\$ 20.00

**Note 9: Segment information**

The following information is presented for the water utility fund of Portage Town:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>Water fund:</u>				
Fixed assets	\$ 443,387	\$	\$	\$ 443,387
Accumulated depreciation	276,978	10,452		287,430

Net working capital for the water utility fund is calculated as follows:

	<u>Water Fund</u>
Current assets:	
Cash	\$ 44,108
Receivables	2,456
Less current liabilities:	
Accounts payable	<u>(986)</u>
Net Working Capital	<u>\$ 45,578</u>

**Note 10: Reserved fund equity**

Amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings are comprised of the following:

General fund:

Reserved - Class C roads	<u>\$ 28,854</u>
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Total reserved fund equity	<u>\$ 28,854</u>
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**Note 11: Subsequent event**

In November 2006, the Town sold \$105,000 of water revenue bonds to fund new water system improvements and a water storage tank. The principal payments will begin in 2008.



**SUPPLEMENTAL SECTION**



Peterson  
Alfred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## **INDEPENDENT ACCOUNTANT'S REPORT ON STATE LEGAL COMPLIANCE**

Honorable Mayor and Town Council  
Town of Portage  
Portage, Utah

We have compiled the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Portage, Utah (the Town), as of and for the year ended June 30, 2006, and have issued our report thereon dated November 22, 2006. As part of our compilation, we have observed the Town's compliance with requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Our observation also included test work on the Town's compliance with those general compliance requirements identified in the, State of Utah Legal Compliance Audit Guide, including:

Public Debt	B & C Road Funds
Cash Management	Truth in Taxation and
Purchasing Requirements	Property Tax Limitations
Budgetary Compliance	Other Compliance Requirements
Liquor Law Enforcement	

The management of the Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to summarize compliance with those requirements based on our compilation.

The results of our procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter.

We conducted our compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards are limited primarily to presenting in the form of financial statements information that is the representation of the officials of the Town of Portage. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

Peterson Alfred Jackson

November 22, 2006



Peterson  
Allred  
Jackson

■ Certified Public Accountants  
Business Consultants

November 22, 2006

Honorable Mayor and Town Council  
Town of Portage  
Portage, Utah

Dear Mayor Howell:

In planning and performing our compilation of the financial statements of Portage, Utah (the Town), for the year ended June 30, 2006, we developed the following recommendations concerning certain matters related to compliance, internal control structure (other than "reportable conditions"), and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our compilation of the Town's financial statements for the year ended June 30, 2006, and are not based on a special study. Our comments and principal recommendations are summarized below.

#### **PRIOR YEAR FINDING**

**Finding:** *Budgetary Compliance.* During our review of the budget to actual for the departments of the Town, we became aware that one department's actual expenditures exceeded the appropriations.

**Recommendations:** We recommend that the Town monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year end. Special care should be taken with fire department grant revenues and expenses.

**Management response:** The Town will monitor all incoming fire department grants and expenses and will adjust the budget as needed.

**Status:** The water fund in total had expenses that exceeded appropriations. See current year finding.

## CURRENT YEAR FINDINGS

Finding: Budgetary Compliance. During our review of the budget to actual for the departments of the Town, we became aware that the water fund expenditures exceeded the appropriations.

Recommendations: We recommend that the Town monitor expenditures closely and provide for expenditures for goods and services received prior to the fiscal year end with payment to be made subsequent to the year end.

Management response: The Town will monitor the budget at year-end and will estimate for all year-end payables and depreciation expense.

Finding: Bank deposits. The Town does not, on all occasions, make their bank deposits within a three day period of receiving monies.

Recommendation: We recommend the receipting and depositing of utility billings within a three day period from the day received.

Management response: The Town will make deposits within three business days.

In conclusion, we wish to recognize all personnel and administrators for their excellent service provided to the Town of Portage. The performance by the Town of necessary procedures needed to produce accurate accounting records has made this an enjoyable experience for us, and we would like to thank the Town for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON

  
Alan D. Allred, CPA